

Message Text

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PAGE 01 ZAGREB 00833 290944Z

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C O N F I D E N T I A L ZAGREB 833

E.O. 11652: GDS

TAGS: PFOR, EGEN, EINV, YO, TECH

SUBJECT: MEETING WITH PRESIDENT CROATIAN EXECUTIVE COUNCIL,
SEPTEMBER 27.

PASS OES/KRATZER

SUMMARY: AT CROATIAN INITIATIVE I MET WITH PRESIDENT OF
CROATIAN EXECUTIVE COUNCIL SIROTKOVIC SEPT 27 BEFORE DEPARTING
ON HOME LEAVE. CONCENTRATING ON TWO MAJOR BILATERAL ECONOMIC
ISSUES, SIROTKOVIC WAS FAIRLY CONFIDENT OF EARLY
REGISTRATION OF DOW-INA AGREEMENT FOR PETROCHEMICAL PROJECT,
AND HE EXPRESSED HOPE FOR TIMELY ISSUANCE OF U.S. NUCLEAR
EXPORT LICENSES TO PREVENT DELAY IN COMPLETING KRSKO POWER
PLANT. SIROTKOVIC MADE CLEAR THAT LEADERSHIP WANTS GOOD
RELATIONS WITH U.S. HE INDICATED INTENTION TO LEAD CROATIAN
DELEGATION TO U.S. AND CANADA IN 1977, POSSIBLY IN THE SPRING.
END SUMMARY.

1. AT THE INITIATIVE OF THE CROATIAN CHIEF OF PROTOCOL WHO
SUGGESTED I CALL ON PRESIDENT OF THE CROATIAN EXECUTIVE
COUNCIL SIROTKOVIC BEFORE DEPARTING ON HOME LEAVE SEPTEMBER 28,
I WAS INVITED TO MEET WITH SIROTKOVIC SEPTEMBER 27. SIROTKOVIC
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PAGE 02 ZAGREB 00833 290944Z

CONCENTRATED ON TWO MAJOR ECONOMIC ITEMS OF BILATERAL

INTEREST (THE DOW-INA JOINT VENTURE AGREEMENT AND THE KRSKO NUCLEAR POWER PROJECT). HE DID, HOWEVER, COMMENT THAT IT WAS GENERALLY RECOGNIZED AMONG YUGOSLAV LEADERSHIP THAT "UNNECESSARY MISTAKES OR PROBLEMS" IN US-YUGOSLAV RELATIONS HAD BEEN CREATED BY BOTH SIDES, BUT THAT LONG-TERM AND FUNDAMENTAL YUGOSLAV INTERESTS WERE SERVED BY GOOD RELATIONS WITH THE US AND THAT IS WHAT YUGOSLAVIA WANTS.

2. DOW-INA JOINT VENTURE AGREEMENT--SIROTKOVIC WAS FAIRLY CONFIDENT THAT THE DOW-INA AGREEMENT WOULD BE REGISTERED WITHIN THE NEXT WEEK. THERE WAS A POSSIBILITY THAT THE DECISION TO REGISTER THE AGREEMENT MIGHT BE TAKEN TODAY BY THE FEDERAL COMMITTEE FOR ENERGY AND INDUSTRY, AS COORDINATOR OF AN INTER-AGENCY COMMITTEE. IF NOT, THE CROATIAN LEADERSHIP INTENDS TO BE "MORE AGGRESSIVE" AND TAKE IT UP ON FRIDAY, OCTOBER 1, AT THE BI-WEEKLY MEETING OF "COORDINACIJA" CHAIRED BY PRIME MINISTER BIJEDIC. SIROTKOVIC NOTED THAT THERE HAD BEEN ACKNOWLEDGED WEAKNESSES IN THE ORIGINAL AGREEMENT BETWEEN DOW AND INA AND THAT IN RETROSPECT THE NEGOTIATORS HAD NEGLECTED TO OBTAIN INTER-AGENCY YUGOSLAV CLEARANCES, EVEN THOUGH GENERAL CONCURRENCES HAD BEEN OBTAINED AT THE TOP GOVERNMENT AND PARTY LEVELS. SUBSEQUENT NEGOTIATIONS WITH DOW HAD SUCCEEDED IN OVERCOMING SUBSTANTIVE YUGOSLAV OBJECTIONS TO THE DOW-INA AGREEMENT. THERE ARE NOW TWO OUTSTANDING QUESTIONS OF A "MATERIAL NATURE" WHICH HAVE TO BE RESOLVED BY THE YUGOSLAV SIDE AND WHICH, SIROTKOVIC SAID, THE CROATIANS FEEL SHOULD PRESENT NO PROBLEM: A) A PROVISION THAT THE CUSTOMS ASSESSMENTS ON ITEMS FOR THE DOW-INA PETRO-CHEMICAL PROJECT WILL BE NO HIGHER THAN ELEVEN PERCENT OF THE VALUE, AND B) A PROVISION FOR PREFERENTIAL EXPORT TREATMENT. SIROTKOVIC SAID THAT IF THERE IS CONTINUED OBJECTION ON THESE TWO ITEMS AT THE FEDERAL LEVEL, THE CROATIAN GOVERNMENT IS PREPARED TO ASSUME THE COSTS OF THE ADDITIONAL CHARGES.

3. SKETCHING SOME OF THE DIFFICULTIES IN REACHING THE DOW-INA AGREEMENT, SIROTKOVIC NOTED THAT THE ORIGINAL DOW-INA AGREEMENT CREATED SOME CONSTITUTIONAL PROBLEMS (WHICH BAKARIC, AMONG OTHERS, HAD NOTED) BUT THAT THESE WERE OVERCOME WITH CHANGES IN THE AGREEMENT AS AGREED UPON WITH DOW. HE ALSO NOTED WITHOUT SPECIFYING, REGIONAL OBJECTIONS TO THE AGREEMENT WHICH HE SAID CAME FROM OTHER REPUBLICS AND WHICH ARE HARD TO PINPOINT. CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ZAGREB 00833 290944Z

THERE HAD ALSO BEEN OBJECTIONS FROM ELEMENTS IN CROATIA WHO OBJECTED TO THE ALLOCATION OF RESOURCES FOR THIS PROJECT, OR WANTED INSTALLATIONS CONSTRUCTED IN DIFFERENT PARTS OF CROATIA, OR WERE MORE GENERALLY OPPOSED TO THE PROJECT. THESE OBJECTIONS HAVE NOW BEEN OVERCOME SO THAT THERE IS A UNITED VIEW AMONG THE CROATIAN LEADERSHIP TO PROCEED AND GET THE DOW-INA AGREEMENT REGISTERED ONCE AND FOR ALL. AS IT IS, SIROTKOVIC SAID, A CONSIDERABLE AMOUNT OF INFRA-STRUCTURE CONSTRUCTION HAS ALREADY

TAKEN PLACE ON THE ISLAND OF KRK.

4. SIROTKOVIC SAID THAT ONLY LAST WEEK AT A MEETING IN BELJE WITH THE CROATIAN LEADERS, TITO HAD ASKED PRESIDENT OF THE CROATIAN COMMUNITY PARTY, MILKA PLANIC, ABOUT THE DOW-INA AGREEMENT. HE WANTED TO KNOW WHAT WAS HOLDING IT UP. SIROTKOVIC STATED THAT TITO, BIJEDIC AND THE CROATIAN LEADERSHIP ARE BEHIND THE DOW-INA AGREEMENT. HE ADDED, IN RESPONSE TO MY QUESTION, THAT THE YUGOSLAV FOREIGN MINISTRY IS ALSO ANXIOUS TO GET THE AGREEMENT REGISTERED AND THAT BOTH FOREIGN MINISTER MINIC AND DEPUTY MINISTER MOJSOV HAD PERSONALLY SPOKEN TO HIM ABOUT IT.

5. THERE IS A TECHNICAL PROBLEM OF GETTING THE PRESIDENT OF THE COMMITTEE FOR ENERGY AND INDUSTRY, ILIJEVIC, TO REGISTER THE AGREEMENT. HE APPARENTLY FINDS THE RESPONSIBILITY VERY GREAT AND WANTS TO RECEIVE DIRECT AUTHORIZATION FROM HIGHER POLITICAL AUTHORITY TO REGISTER THE AGREEMENT AS IT NOW STANDS. (NOTE: OBVIOUSLY, THE DOW-INA AGREEMENT HAS MAJOR POLITICAL, AS WELL AS ECONOMIC IMPLICATIONS AND ILIJEVIC DOES NOT WANT TO SHOULDER THESE RESPONSIBILITIES ON HIS OWN.) SIROTKOVIC MADE A POINT OF CHARACTERIZING DOW CONDUCT AS "PERFECTLY CORRECT" IN ITS NEGOTIATIONS AND DEALINGS WITH THE YUGOSLAVS. HE FELT THAT DOW HAD BEEN REASONABLE AND UNDERSTANDING, WHILE APPROPRIATELY PROTECTING ITS OWN CORPORATE INTERESTS.

6. KRSKO NUCLEAR POWER PROJECT--SIROTKOVIC DREW ATTENTION TO THE PROBLEM OF OBTAINING US EXPORT LICENSES FOR COMPONENTS FOR THE KRSKO NUCLEAR POWER PROJECT. HE SAID THAT WESTINGHOUSE PROJECT MANAGER, D. C. PARSONS, HAS DISCUSSED THIS PROBLEM WITH THE YUGOSLAV PARTNERS (REF: BELGRADE 6262 AND PREVIOUS). SIROTKOVIC EXPRESSED THE HOPE THAT THE US EXPORT LICENSES WOULD BE ISSUED ON TIME SO THAT THERE WOULD BE NO DELAY IN COMPLETING THE POWER PLANT AT KRSKO.

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CONFIDENTIAL

PAGE 04 ZAGREB 00833 290944Z

7. VISIT TO THE UNITED STATES-- SIROTKOVIC INDICATED THAT HE EXPECTS TO LEAD A CROATIAN DELEGATION TO THE UNITED STATES AS WELL AS TO CANADA IN 1977. HE SAID DETAILS HAVE YET TO BE WORKED OUT AND THAT IT WOULD HAVE TO BE COORDINATED AT THE FOREIGN MINISTRY LEVEL IN BELGRADE. HE WAS NOT CERTAIN WHETHER IT WAS FIRST NECESSARY TO OBTAIN AN INVITATION FROM THE US. HE SPECULATED THAT SPRING OF 1977 MIGHT BE A GOOD TIME TO VISIT. HE MENTIONED THAT IN ADDITION TO HOPED-FOR MEETINGS WITH US GOVERNMENT OFFICIALS, HE WOULD PROBABLY MEET WITH DOW AND WESTINGHOUSE REPRESENTATIVES, MEET WITH CROATIAN-AMERICAN GROUPS, AND PERHAPS VISIT SOME AMERICAN UNIVERSITIES.

8. COMMENT: AS IN HIS PREVIOUS MEETINGS WITH AMBASSADOR SILBERMAN AND WITH ME, SIROTKOVIC WAS FRIENDLY AND STRAIGHT-

FORWARD. HE MADE CLEAR, BOTH EXPLICITLY AND IMPLICITLY, THAT
THE LEADERSHIP WANTS TO CONTINUE COOPERATION AND GOOD RELATIONS
WITH THE US. END COMMENT. KAISER

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